



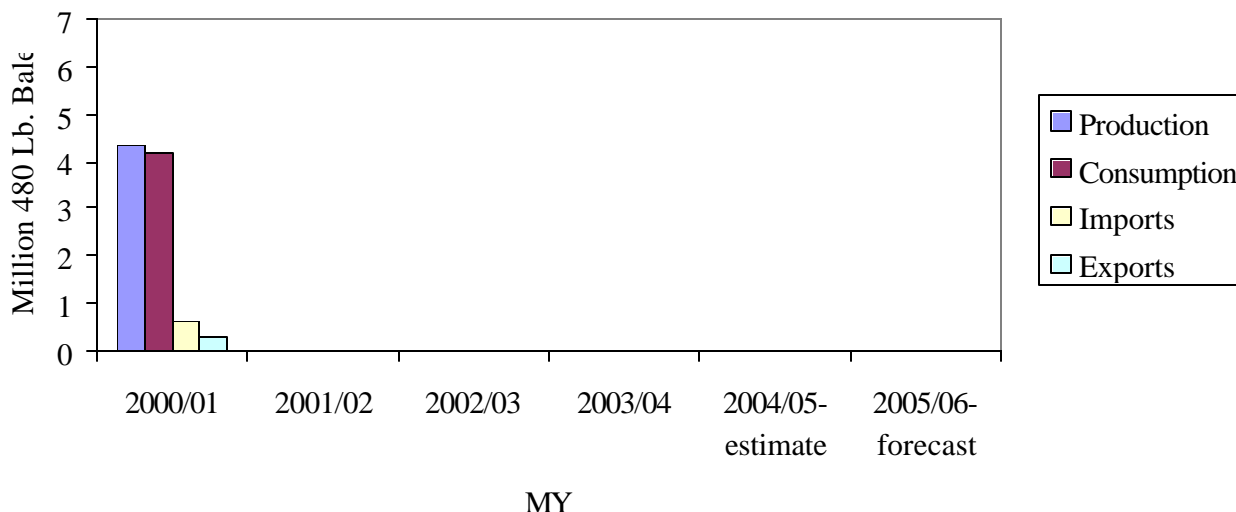
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Cotton: World Markets and Trade

Brazil's Cotton Exports Rising as Domestic Use Declines



Brazil's cotton exports are forecast at 2 million bales in MY 2005/06, a 21 percent increase over 2004/05, due mainly to rising production and a slight decrease in domestic usage. Production is forecast to increase from 6 million bales in 2004/05 to 6.5 million bales in 2005/06. Production in Brazil has increased over 85 percent in the last four years, while consumption has remained relatively constant over the same period of time. Domestic consumption in 2005/06 is forecast at 4.1 million bales, compared to 4.2 million bales consumed in 2004/05.

With the export forecast of 2 million bales, Brazil is the fourth largest cotton exporter in the world, behind the United States (14.5 million bales), Uzbekistan (3.75 million bales), Australia (2.8 million bales), and followed by Greece (1.35 million bales). The potential for expansion of cotton production in Brazil is enormous. In the State of Mato Grosso, 425,000 hectares were planted to cotton in the last marketing year. Mato Grosso has several million hectares available for potential expansion of either cotton or soybean planting.

Infrastructure problems in Brazil could hinder cotton expansion to some extent. In the Mato Grosso area, the biggest challenge is repairing and expanding the roads. The current state of the roads is very poor and at times impassable during the rainy season. Trucking cotton to the port is the only means of transportation currently available. Producers and the government are working together to possibly build a toll road and are discussing extending a railroad through Mato Grosso.